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State of Utah

DEPARTMENT OF NATURAL RESOURCES DIVISION OF OIL, GAS AND MINING

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DOGM
MINERALS PROGRAM
FILE COPY

October 30, 1990

Mr. David Wolfe
Hecla Mining Company
6500 Mineral Drive
Box C - 8000
Coeur d'Alene, Idaho 83814-1931

Dear Mr. Wolfe:

Re: Surety Replacement for Escalante Mine, M/021/004, Iron County, Utah

Recently the Division was contacted by Hecla concerning the status of the Escalante Mine's reclamation surety. The \$119,474.00 Irrevocable Letter of Credit, issued by the Sunwest Bank of Albuquerque, N.A., expired automatically on September 12, 1990. The Division has an objective to evaluate the adequacy of reclamation sureties every 5 years, or at the end of a given surety estimate period. The original surety estimate period ran from September 12, 1980 to September 12, 1985. Although the surety was renewed in September of 1985, it was never updated from the original 1980 figure.

Because the surety period has elapsed and because of the need to update this surety to reflect current costs, the Division asks that Hecla submit a new surety to the Division. Hecla will need to post with the Division the amount found on the enclosed estimate (\$181.500), which reflects the cost to perform the original reclamation specs in 1995 dollars. You will find enclosed, the language you requested addressing the Division's statutory and regulatory authority, regarding surety updates and revisions.

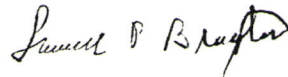
Also, please find enclosed, the necessary forms Hecla will need to re-establish this surety: 1) Reclamation Contract, to be used with all forms of surety; 2) Irrevocable Letter of Credit form; 3) Surety Bond form; 4) Self Bond form; and 5) Self Bond Qualification Statement. You will want to select one form of surety. The self bonding qualifications statement is to be used for self bonding only.

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Any surety which you post now, can be re-evaluated at a date following reclamation, and can be reduced based upon the cost of earthwork and regrading. The portion of the surety covering revegetation success must remain intact for the duration of a three year evaluation period.

Please contact me our Wayne Hedberg if you have further questions. Thank you, in advance, for your prompt attention to this issue.

Sincerely,



Lowell P. Braxton
Associate Director, Mining

jb
Enclosures
cc: Paul Carter, Cedar City District, BLM
Wayne Hedberg, DOGM
MNM021004.1

SURETY ESTIMATE UPDATE

Hecla Mining Company

Escalante Silver Mine M/021/004

Iron County, Utah

October 29, 1990

Prepared by Utah Division of Oil, Gas & Mining

Description:

-Original Reclamation Bond Estimate in 1980 for \$119,574

<u>CALCULATIONS</u>	<u>YR</u>	<u>ESCAL FACTOR</u>	<u>BOND AMOUNT</u>
-Year Surety Was Posted-	1980	(i)	\$119,574
$F = P(1 + i)^{**n}$	1981	0.0991	\$131,424
	1982	0.0940	\$143,778
	1983	0.0104	\$145,273
	1984	0.0092	\$146,609
	1985	0.0290	\$150,861
	1986	0.0210	\$154,029
	1987	0.0195	\$157,033
	1988	0.0181	\$159,875
	1989	0.0177	\$162,705
Three Yr Average = 1.84%	1990	0.0184	\$165,699
Used to Project 5 Yrs	1991	0.0184	\$168,747
Into the Future	1992	0.0184	\$171,852
From the Year 1990	1993	0.0184	\$175,014
	1994	0.0184	\$178,235
	1995	0.0184	\$181,514

Updated Surety Amount Rounded (1995 \$)	<u>\$181,500</u>
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Increase From Original 1980 Bond Amount =	\$61,926
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